To the Mayor and Members of the City Council

SUBJECT: Gas Lease Funding Use

The purpose of this budget response is to provide an overview of the use of Gas Lease funds as it relates to the Gas Lease Policy, appropriation timing, and summary of use by revenue source.

Gas Lease Policy

The City's Gas-Related Revenue and Expenditure Policy provides that gas-related revenues, which are non-recurring and variable, should generally be used for one-time program initiatives and capital projects. Allowable uses include capital improvements, equipment and fleet replacement, technology, matching funds for capital projects, one-time economic and neighborhood development initiatives, tree-planting, certain costs associated with administering gas leases and pipelines, and replenishment of fund balances when necessary to meet minimum reserve requirements. The policy also provides for certain restricted uses, including support for arts organizations and acquisition of open space and natural areas.

Appropriation of Gas Lease Funds

Each fiscal year, the City's Trustee, Wells Fargo, collaborates with the City's Chief Financial Officer/Director of Finance (CFO) to evaluate the investment performance of The Fort Worth Permanent Fund (Trust) and determine the amount of annual income available for distribution. This review and distribution occur once per fiscal year and include only the investment income generated within the Trust, never the underlying corpus. Once the annual distributable amount is calculated, a formal recommendation is presented to the City Council for approval in Q3 of the fiscal year, outside of the budget process.

Following City Council action, the approved distribution is appropriated across the designated endowment gas lease funds: Aviation, Park & Recreation Department (PARD), Water/Sewer, and the General Endowment Gas Lease Fund. These appropriations occur in accordance with the City's Financial Management Policy Statements, ensuring consistency with established financial controls and allowable uses.

Once appropriated, the funds become available to support eligible one-time program initiatives, qualifying capital projects, and where applicable arts programming and other authorized uses tied to the General Endowment Gas Lease Fund. This structured annual process ensures that Trust income is responsibly distributed and allocated to priority initiatives while preserving the long-term sustainability of the Trust itself.

Primary Items or Projects Funding By Revenue Source

Aviation – Gas Well Funding is used to support airport infrastructure projects that generate long-term revenue, such as hangar development and construction. These investments are structured to recover the initial Gas Well infrastructure funding over the life of the project through lease payments, rental income, and other associated fees.

Park and Recreation (General) – Gas Lease funds are used for capital projects for new enhancements to parks (e.g., trails, play equipment, infrastructure), maintenance, and equipment and structure replacement (e.g., playgrounds, shelters). Gas Endowment earnings are used to fund the Community Tree Planting program which includes greenhouse operations to grow trees from seed, tree grant program, and vehicle and equipment replacement.

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Park and Recreation (Municipal Golf) – Gas Well funds are used for capital projects that improve areas and fund new equipment for the three golf course locations. Recent projects include repairs for the Meadowbrook water well and Pecan Valley driving range, as well as new mowing and equipment purchases used at all locations.

Property Management – Gas Lease funds are used to reimburse the General Fund for three staff and the costs to administer the Gas Lease program. The Mineral Management division has a Gas Lease Analyst, Lease Manager, and Sr. Land Agent that manages all City of Fort Worth's mineral interests and activities including oil and gas lease negotiation, execution, and royalty compliance.

Water – Gas lease funds generated from utility assets in and around Lake Worth are designated for qualified projects included in the City Council-approved 2007 Lake Worth Capital Improvement Plan. Funds generated from other utility assets support eligible water and sewer capital projects and long-term infrastructure needs.

Annual Fund Distribution

Fund	FY23	FY24	FY25	FY26 (pending)
Aviation	5,336,808	1,501,652	3,871,842	1,389,395
Park and Recreation	1,443,503	409,384	1,125,755	477,857
Water & Sewer	447,781	151,592	362,985	156,831
General	1,337,858	387,545	1,202,482	546,257
Total	**8,565,951**	**2,450,173**	**6,563,065**	**2,570,340**

If you have questions concerning this information, please contact Christianne Simmons at 817-392-6222.

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